

BAY MILLS COMMUNITY COLLEGE

Year Ended
June 30, 2017

Financial
Statements and
Single Audit Act
Compliance

BAY MILLS COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

December 8, 2017

Board of Regents
Bay Mills Community College
Brimley, Michigan**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of *Bay Mills Community College*, (the "College"), a discretely presented component unit of Bay Mills Indian Community, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the College, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

BAY MILLS COMMUNITY COLLEGE

Management's Discussion and Analysis

Management's Discussion and Analysis ("MD&A") provides an overview of the financial position and activities of Bay Mills Community College (the "College" or "BMCC") for the year ended June 30, 2017, and should be read in conjunction with the financial statements and notes thereto. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The College has prepared the financial statements using the current financial reporting model. The reporting model focuses on the College as a whole (government-wide) and the fund financial statements.

Overview of the Financial Statements

The College's financial statements consist of government-wide financial statements and fund financial statements. The government-wide financial statements provide information about the activities of the College as a whole and provide both long-term and short-term information about the College's overall financial status. Fund financial statements explain how services were financed in the short-term as well as providing detailed information about the College's major funds, with all other funds presented in one column as nonmajor governmental funds.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the College's finances, in a manner similar to a private-sector business.

The *statement of net position* includes all assets and liabilities of the College using the full accrual basis of accounting and presents the financial position of the College at a specified time. The difference between total assets and total liabilities is net position, which is one indicator of the financial position of the College. The changes in net position that occur over time indicate improvements or deterioration in the College's financial position. The *statement of net position* includes governmental activities and business-type activities. Governmental activities are financed through tuition and fees, grants and contracts, or nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *statement of activities* provides information about the revenues and expenses of the College using the accrual basis of accounting and measures the change over the year in net position. All current year revenues and expenses are taken into account regardless of when cash is received or paid. The expenses are classified by function in the governmental and business-type activities. The revenues are classified as program revenues or general revenues. The program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. The general revenues consist of investment income, donations not specifically designated for a particular function, contributions for permanent and quasi-endowment funds.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. These funds each use a different accounting measurement focus.

BAY MILLS COMMUNITY COLLEGE

Management's Discussion and Analysis

Governmental Funds. *Governmental funds* are used to account for the same functions reported as governmental activities in the government-wide financial statements, except these funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view that helps readers determine whether there are financial resources that can be spent in the near future to finance the College's programs. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, reconciliations are presented to facilitate the comparison between governmental fund statements and the governmental activities reported in the government-wide financial statements.

The governmental fund financial statements have separate columns for the major funds which consist of the General Fund, Department of Interior and Department of Education Special Revenue Funds, Title III Quasi-Endowment Fund, Capital Projects Fund, Permanent Fund, and Debt Service Fund. There is a separate column for nonmajor governmental funds, which is the total of other governmental funds. The governmental fund expenditures are presented by function in the financial statements. A separate statement showing the governmental fund expenditures by object is presented with the combining and individual fund financial statements.

Proprietary Funds. Proprietary funds are used to account for services for which the College charges outside customers or other internal programs a fee. Proprietary funds, like the government-wide financial statements, use the accrual basis of accounting. *Enterprise funds* are used to report the same functions as business-type activities in the government-wide financial statements, but they provide more detail and additional information including the statement of cash flows. The Composites Enterprise Fund is the only proprietary fund of the College. *Internal service funds* are used to report activities that provide services to the College's other programs. The College includes space costs and indirect costs as internal service funds.

Fiduciary Funds. Fiduciary funds are used to report assets held in a trustee or agency capacity for others. The College is the trustee, or fiduciary, for its private-purpose trusts which consist of several funds that are used to provide scholarships for students. Agency funds are used to report resources held in a purely custodial capacity (assets equal liabilities). The College reports student council funds and other student organizations approved by the student council as agency funds. The College is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The College's fiduciary activities are reported on the *statement of net position-fiduciary funds* and the *statement of changes in net position-fiduciary funds*. These activities are excluded from the College's government-wide financial statements because the College cannot use these assets to finance its operations.

Notes to the Financial Statements. The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents management's discussion and analysis, which is required supplementary information.

BAY MILLS COMMUNITY COLLEGE

Management's Discussion and Analysis

Government-wide Financial Analysis

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$18,235,266	\$15,333,201	\$(3,662,885)	\$(2,957,443)	\$14,572,381	\$12,375,758
Capital assets, net	6,653,995	5,980,470	1,214,973	1,332,723	7,868,968	7,313,193
Total assets	24,889,261	21,313,671	(2,447,912)	(1,624,720)	22,441,349	19,688,951
Liabilities						
Other liabilities	984,728	290,502	-	-	984,728	290,502
Long-term liabilities	158,677	150,116	-	-	158,677	150,116
Total liabilities	1,143,405	440,618	-	-	1,143,405	440,618
Net position						
Investment in capital assets	6,653,995	5,980,470	1,214,973	1,332,723	7,868,968	7,313,193
Restricted	7,482,666	6,338,405	-	-	7,482,666	6,338,405
Unrestricted (deficit)	9,609,195	8,554,178	(3,662,885)	(2,957,443)	5,946,310	5,596,735
Total net position	\$23,745,856	\$20,873,053	\$(2,447,912)	\$(1,624,720)	\$21,297,944	\$19,248,333

Total assets of business-type activities reflect the elimination of interfund balances due to governmental activities of \$3,715,513 and \$3,205,403 for fiscal years 2017 and 2016, respectively, resulting in negative total asset balances reported in business-type activities within the statement of net position for both years.

The College's total net position increased by \$2,049,611 (11%) over the course of this fiscal year's operations, which consisted of an increase of \$2,872,803 from governmental activities and a decrease of \$(823,192) from business-type activities.

The largest portion of the College's net position (37%) reflects its investment in capital assets. The College uses the capital assets to provide services; consequently, these assets are not available for future spending.

An additional portion of the College's net position (35%) represents resources that are subject to external restrictions on how they may be used. The majority of restricted net position is from the permanent and quasi-endowment funds, which consists of \$1,366,528 in nonexpendable endowments and \$6,027,306 in expendable endowments. The total unrestricted net position increased by \$349,575, from \$5,596,735 in 2016 to \$5,946,310 in 2017. Even though the unrestricted net position from business-type activities decreased by \$(705,442), there was a large increase of \$1,055,017 in the unrestricted net position of governmental activities. The majority of the increase in unrestricted net position of governmental activities was from income generated by charter school oversight while the decrease in unrestricted net position of business-type activities was from start up costs, operational expenses, and the purchase of equipment for research and production of Direct Re-Inforced Fiber Technology ("DRIFT") materials.

BAY MILLS COMMUNITY COLLEGE

Management's Discussion and Analysis

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues						
Charges for services	\$ 6,395,337	\$ 6,331,248	\$ 39,224	\$ 26,717	\$ 6,434,561	\$ 6,357,965
Operating grants	4,538,287	4,914,227	-	-	4,538,287	4,914,227
Capital grants	165,860	122,943	-	-	165,860	122,943
General revenues						
Investment income	726,844	55,159	-	-	726,844	55,159
Donations	50,920	84,866	-	-	50,920	84,866
Gain on sale of capital asset	5,500	-	-	-	5,500	-
Total revenues	<u>11,882,748</u>	<u>11,508,443</u>	<u>39,224</u>	<u>26,717</u>	<u>11,921,972</u>	<u>11,535,160</u>
Expenses						
Instruction	1,313,664	1,272,108	-	-	1,313,664	1,272,108
Academic support	410,922	299,845	-	-	410,922	299,845
Student services	874,901	874,401	-	-	874,901	874,401
Public service	1,953,470	1,579,034	-	-	1,953,470	1,579,034
Research	41,069	11,770	-	-	41,069	11,770
Institutional support	2,233,499	2,213,434	-	-	2,233,499	2,213,434
Scholarships/grant-in aid	1,656,511	1,715,734	-	-	1,656,511	1,715,734
Operation and maintenance of plant	345,827	397,105	-	-	345,827	397,105
Technology	188,685	228,495	-	-	188,685	228,495
Unallocated depreciation	352,213	329,366	-	-	352,213	329,366
Composites	-	-	870,910	875,276	870,910	875,276
Total expenses	<u>9,370,761</u>	<u>8,921,292</u>	<u>870,910</u>	<u>875,276</u>	<u>10,241,671</u>	<u>9,796,568</u>
Change in net position, before contributions and transfers	2,511,987	2,587,151	(831,686)	(848,559)	1,680,301	1,738,592
Contribution to BMIC	(143,527)	(432,396)	-	-	(143,527)	(432,396)
Contributions for:						
Permanent fund	14,669	24,234	-	-	14,669	24,234
Quasi-endowment fund	498,168	480,526	-	-	498,168	480,526
Transfers	(8,494)	(59,429)	8,494	59,429	-	-
Change in net position (deficit)	<u>2,872,803</u>	<u>2,600,086</u>	<u>(823,192)</u>	<u>(789,130)</u>	<u>2,049,611</u>	<u>1,810,956</u>
Net position (deficit):						
Beginning of year	20,873,053	18,272,967	(1,624,720)	(835,590)	19,248,333	17,437,377
End of year	<u>\$23,745,856</u>	<u>\$20,873,053</u>	<u>\$ (2,447,912)</u>	<u>\$ (1,624,720)</u>	<u>\$21,297,944</u>	<u>\$19,248,333</u>

BAY MILLS COMMUNITY COLLEGE

Management's Discussion and Analysis

In comparison with the prior fiscal year, total revenues increased by \$386,812, total expenses increased by \$445,103, contribution to Bay Mills Indian Community ("BMIC") decreased by \$288,869, contributions for permanent funds decreased by \$9,565, contributions for quasi-endowment fund increased by \$17,642, and the total change in net position increased by \$238,655. The increase in the change in net position was primarily due to fluctuations in the fair market value of investments.

Charges for services (54%) and operating grants (38%) accounted for the majority of the College's total revenues. The charges for services revenue consisted mainly of charter school oversight in the amount of \$5,474,460, tuition and fees in the amount of \$1,004,835, less an adjustment of \$249,084 for the required matching funds reported as contributions for the quasi-endowment fund. In comparison with the prior fiscal year, the charges for services revenue increased by \$76,596, which was predominantly made up of an increase in charter school oversight revenue of \$113,401 and a decrease in tuition and fees of \$69,595. The operating grant revenue consists primarily of revenue from the Department of Education of \$2,107,144 and Department of Interior of \$1,697,440. Pell grants awarded to students of \$933,880 and Title III grants of \$794,820 make up the majority of the Department of Education funding. Compared with the prior fiscal year, there was a decrease of \$67,419 in Pell grants awarded to students due to a reduction in student count. The timing of expenses in the Title III grants resulted in a decrease in operating grant revenue of \$262,495. The Department of Interior operating grant revenue decreased by \$86,960 due to an enrollment decline of 59.17 full time Indian students between fiscal year 2016 and 2015. The Department of Interior funding for the current fiscal year is based on the Indian Student Count from the prior fiscal year. BMCC received a new grant from the Department of Health and Human Services to develop an online Bachelor of Arts in Early Childhood Education (ECE), which increased operating grant revenue by \$62,678. The capital grant revenue consisted of USDA Rural Development grants for a multi-purpose cultural center and campus updates. Fluctuations in the fair market value of investments was the primary reason for the large increase of \$671,685 in investment income.

Functional expenses represent the type of programs and services that the College provides. The largest functional expenses were instruction (13%), public service (19%), institutional support (22%), and scholarships/grant-in aid (16%). In comparison with the prior fiscal year, total expenses increased by \$445,103, which primarily consisted of an increase in public service of \$374,436, an increase in academic support of \$111,077, and a decrease in scholarships/grant-in aid of \$59,223. The settlement of the lawsuit with Quality Performance Resource Group, LLC (QPRG) for \$295,000 was the primary reason why public service expenses increased. Academic support expenses were higher because the College used a portion of the USDA Rural Development grant to purchase tables and chairs for classrooms and incurred costs for the development of the online Bachelor's degree in ECE with funds from the new Health and Human Services grant. The reduction in Pell grants awarded to students was the primary reason for the decrease in scholarships/grant-in aid.

In 2017, the contribution to BMIC of \$143,527 consisted of a transfer of \$112,144 for the cultural center, \$7,680 for the water storage replacement project, \$8,572 for the skidsteer, and \$15,131 for the maintenance garage. In 2016, the contribution to BMIC of \$432,396 consisted of \$269,028 for the cultural center and \$163,368 for the water storage replacement project. The cultural center was completed in 2017 and the water storage replacement project is ongoing.

During the fiscal year, the College elected to use 20% of the Title III grant awards (Part A and F) and the required matching funds to increase the Title III Quasi-Endowment Fund. The total contribution for the quasi-endowment fund was \$498,168, which consisted of \$249,084 from the Department of Education and \$249,084 in matching funds from the College's General Fund. Because the Title III grant awards were higher than the prior year, this was an increase of \$17,642 in comparison with last year's total contribution of \$480,526.

BAY MILLS COMMUNITY COLLEGE

Management's Discussion and Analysis

The total increase in net position of governmental activities and business-type activities was \$2,049,611. Of this amount, \$555,775 was the result of an increase in the net investment in capital assets, \$1,144,261 was an increase in restricted net position, and \$349,575 was an increase in unrestricted net position.

Financial Analysis of the College's Funds

Governmental Funds. At the end of the fiscal year, the College's governmental funds reported combined ending fund balances of \$17,156,882, which is categorized as follows: \$5,441,127 in nonspendable, \$6,031,738 in restricted, and \$5,684,017 in unassigned. The net change in the fund balance for the General Fund was an increase of \$1,115,052, from a beginning fund balance of \$8,638,164 to an ending fund balance of \$9,753,216. This increase primarily resulted from charter school activities. Of the net change in the fund balance for the General Fund, the portion of unassigned fund balance increased by \$122,734 and the nonspendable fund balance increased by \$992,318 in comparison with the prior fiscal year. The General Fund advanced \$660,331 to the Composites Enterprise Fund and \$318,600 to the Debt Service Fund during the fiscal year, which were the primary reasons for the increase in nonspendable fund balance. The General Fund advance to the Composites Enterprise Fund was \$3,715,513 at June 30, 2017. Under the terms of the USDA Rural Development loan for the new administration/classroom facility, the College was required to put \$2,700 per month into a reserve account until it accumulated a sum of \$324,000. The College invested the full amount this fiscal year, which consisted of the required reserve amount of \$5,400 plus an advance from the General Fund of \$318,600.

Proprietary Funds. The proprietary fund statements include the Composites Enterprise Fund and Internal Service Funds. The Composites Enterprise Fund was established on June 18, 2013 when the College entered into agreements with Bay Mills Indian Community to lease the composites building located in Dafter and purchase their DRIFT production line and associated equipment to carry out educational, research, and manufacturing activities related to the production of composite items. In addition, the College entered into an agreement with Bay Mills Indian Community to act as the exclusive manufacturer and distributor of DRIFT material under an exclusive provider agreement. At June 30, 2017, the net position of the Composites Enterprise Fund was a deficit \$2,447,912. The General Fund has advanced \$3,715,513 to cover the costs of the noncurrent assets, start up costs, and operating expenses. The College is hoping that the Composites Enterprise Fund earns enough revenue to cover expenses in the near future and establish a repayment schedule for the advance.

The internal service funds have a combined net position of \$14,656 which represents a carryover net position that will be adjusted on the next space cost allocation plan.

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Management's Discussion and Analysis

General Fund Budgetary Highlights

The General Fund budgeted a net change in fund balance of \$1,202,313, which when compared with the actual change in fund balance of \$1,115,052, resulted in an unfavorable budget variance of \$87,261. Total revenues were \$78,789 higher than budgeted, total expenditures were \$160,292 higher than budgeted, and transfers out were \$5,758 higher than budgeted. There was a favorable budget variance in state aid oversight revenue of \$9,695, tuition and fees of \$13,470, other grant revenue of \$35,357, and investment income of \$15,082. The state aid oversight revenue was slightly higher than expected due to adjustments made later in the year on the state aid financial status report. The grant revenue was higher than anticipated because the College received \$35,354 from the American Indian College Fund for unrestricted operational expenses. Tuition and fees for the summer semester were slightly higher than expected. The fair market value of short term investments was higher than anticipated which resulted in additional investment income. The expenditures were higher than expected primarily due to the timing of construction on the new administration/classroom facility, which resulted in an unfavorable budget variance of \$210,328 in capital outlay. The College met the required cash contribution on the loan this fiscal year rather than incurring a portion next fiscal year. Favorable budget variances of \$17,594 in public service, \$14,340 in operation and maintenance of plant, \$10,192 in institutional support, and \$8,900 in student services offset a portion of the additional capital outlay expenditures.

The Board of Regents approved the original budget on April 28, 2017 and the modified budget on June 23, 2017. Each of the general fund line items were reviewed for reasonableness based on actual costs incurred through March and estimated costs for the remainder of the year. The original budget was modified to increase public service for the settlement of the lawsuit with Quality Performance Resource Group, LLC and capital outlay expenditures were reduced based on the construction progress for May.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2017, the College's governmental activities had \$6,653,995 invested in capital assets, net of accumulated depreciation of \$3,388,492. Depreciation from governmental activities was \$352,213 for the current year. The College also had capital assets from business-type activities of \$1,214,973, net of accumulated depreciation of \$1,164,304. Depreciation from business-type activities was \$126,244 for the current year.

The governmental activities additions included construction-in-progress of \$951,734, equipment of \$76,780, and vehicles of \$34,810. The construction-in-progress addition was for construction of the new administration/classroom facility. The equipment additions were for improvements on the Boston Whaler boat, which will be used for academic and research purposes, a bulldozer donated through the U.S. General Services Administration (GSA), and a white light scanning system for composites research. The College traded in the 2012 Ford Escape and purchased a 2017 Chevrolet Traverse. The College also transferred a skid steer and maintenance garage to Bay Mills Indian Community. The maintenance garage had to be moved because it was in the way of the new administration/classroom facility. The trailer at the farm was sold because Gitigaan Hall, the classroom facility completed in the prior fiscal year, provides the needed office and meeting space.

The business-type activity additions of \$8,494 consisted of an industrial band saw purchased from the Department of Energy Advanced Manufacturing grant, which was passed through AIHEC.

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Management's Discussion and Analysis

Long-Term Debt. As of June 30, 2017, long-term debt consisted of \$158,677 from accrued compensated absences. It consists of earned but unused vacation and personal leave time, subject to limitations as stated in the College's personnel policy.

On May 18, 2017, the College entered into a 35 year, \$7,500,000 promissory note bearing interest rate at 2.375%, with the U.S. Department of Agriculture Rural Development for construction of a new administration/classroom facility. The loan is secured by all present and future revenues and accounts receivable, arising in connection with the administration/classroom facility. The College's required cash contribution of \$1,222,280 was met as of June 30, 2017. Draw down of loan funds for construction costs began on July 31, 2017. An interest only payment is due on May 1, 2018 with yearly payments of \$324,000 plus interest due on May 1 thereafter.

Further information regarding capital asset and long-term debt activity can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets

BMCC had an exceptional year financially and was able to add \$122,734 to the unassigned general fund balance after completing payment of the remaining cash contribution for the new administration/classroom facility. The required contribution was a total of \$1,222,280, of which \$951,734 was paid this fiscal year. BMCC also settled the lawsuit with QPRG over payments which extended past the contract termination date and this ended up costing \$295,000 to settle this issue.

These were the only known expenses of consequence that BMCC had so their payment and fully funding the building loan reserve account in the amount of \$324,000 should make way for another good year financially in fiscal 2018 for the College.

BMCC is still pursuing business for Great Lakes Composites and hopes to secure a sizable contract for composite tape production this year. This program is viewed as an economic driver by the Bay Mills Community; an opportunity to generate financial prospects outside of the gaming market and to allow BMCC to expand its educational focus to include components of STEM learning and advanced manufacturing. There are many tribal members that don't want to spend their life in the tourist or service industry and would like to work in production. The Upper Peninsula has never been a strong industrial area; however, management believes that the right products could and will be successful. The quest will continue as long as it does not in any way jeopardize the operations of the College.

The pursuit of industry is not presently hurting College operations as management has continued to add to the quasi-endowment fund, even after making the payments described above. The quasi-endowment investments now stand at approximately \$4.5 million and management plans to add to it for at least the next three years. This is the remaining term of the Title III Part F grant from the Department of Education, which was the driving force behind starting this endowment. It is funding that was derived from a budget reconciliation resolution which provided 10 years of additional Title III funding. BMCC has a Title III Part A grant and this additional funding is known as Title III Part F. Management is also planning to transfer another million dollars from the checking account to the short term investment account as the checking account has grown to a level which is in excess of operational needs.

BAY MILLS COMMUNITY COLLEGE

Management's Discussion and Analysis

Finally, management has put into operation new recruitment activities to turn the tide on our falling enrollment. BMCC staff have started to schedule student visits in their high schools, rather than competing at college fairs, and are following up on the contacts made to assist the students and therefore make them comfortable with BMCC. This will be continued going forward and will be supplemented through the use of phone, text, and email messages using contacts that have been developed through a review of new internal reports. These reports track the student's admission and enrollment activities, including financial aid, in an effort to make their transition to BMCC from high school a good and easy experience. Early reports seem to indicate that the new efforts are showing some success which can translate into increased grant funding and a more stable financial future.

For fiscal year 2018, the timing of the loan financing and construction schedule for the new administration/classroom facility will have a significant impact on the budgeted expenditures for capital outlay and debt service. In addition, the estimated amount to be received from grants and contracts, student tuition and fees, charter school oversight activities, and research and production activities of the Composites Enterprise Fund are all factors impacting the fiscal year 2018 budget.

Requests for Information

This financial report is designed to provide a general overview of the College's finances and to show the College's accountability for the revenue it receives. If you have questions about this report or need additional information, contact Laura Postma, CPA, CGFM at (906) 248-3354, extension 8420.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BAY MILLS COMMUNITY COLLEGE

Statement of Net Position

June 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and cash equivalents	\$ 5,469,353	\$ -	\$ 5,469,353
Investments	8,752,955	-	8,752,955
Accounts receivable, net	183,359	-	183,359
Internal balances	3,715,513	(3,715,513)	-
Prepaid expenses	22,139	-	22,139
Inventory	12,947	52,628	65,575
Other	79,000	-	79,000
Capital assets, not being depreciated	1,410,780	-	1,410,780
Capital assets being depreciated, net	5,243,215	1,214,973	6,458,188
Total assets	24,889,261	(2,447,912)	22,441,349
Liabilities			
Accounts payable	671,744	-	671,744
Accrued liabilities	277,274	-	277,274
Deferred revenue	35,710	-	35,710
Long-term liability (due in more than one year):			
Accrued compensated absences	158,677	-	158,677
Total liabilities	1,143,405	-	1,143,405
Net position (deficit)			
Investment in capital assets	6,653,995	1,214,973	7,868,968
Restricted for:			
Grants and contracts	190	-	190
Artifact collection	79,000	-	79,000
Debt service - nonexpendable	5,400	-	5,400
Debt service - expendable	4,242	-	4,242
Endowments - nonexpendable	1,366,528	-	1,366,528
Endowments - expendable	6,027,306	-	6,027,306
Unrestricted (deficit)	9,609,195	(3,662,885)	5,946,310
Total net position (deficit)	\$ 23,745,856	\$ (2,447,912)	\$ 21,297,944

The accompanying notes are an integral part of these financial statements.

BAY MILLS COMMUNITY COLLEGE

Statement of Activities

For the Year Ended June 30, 2017

		Program Revenues			
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary institution					
Governmental activities					
Education:					
Instruction	\$ 1,313,664	\$ 1,004,835	\$ 1,252,072	\$ -	\$ 943,243
Academic support	410,922	-	230,728	46,696	(133,498)
Student services	874,901	-	769,083	1,471	(104,347)
Public service	1,953,470	5,390,502	163,307	8,144	3,608,483
Research	41,069	-	40,943	-	(126)
Institutional support	2,233,499	-	568,443	998	(1,664,058)
Scholarships/grant-in-aid	1,656,511	-	1,163,826	-	(492,685)
Operation and maintenance of plant	345,827	-	175,750	3,642	(166,435)
Technology	188,685	-	121,633	67,052	-
Unallocated depreciation	352,213	-	-	-	(352,213)
Capital improvements	-	-	52,502	37,857	90,359
Total governmental activities	9,370,761	6,395,337	4,538,287	165,860	1,728,723
Business-type activities					
Composites	870,910	39,224	-	-	(831,686)
Total primary government	\$10,241,671	\$ 6,434,561	\$ 4,538,287	\$ 165,860	\$ 897,037

Continued...

The accompanying notes are an integral part of these financial statements.

BAY MILLS COMMUNITY COLLEGE

Statement of Activities

For the Year Ended June 30, 2017

	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net revenue (expense)	\$ 1,728,723	\$ (831,686)	\$ 897,037
General revenues, contributions, and transfers			
General revenues:			
Investment income	726,844	-	726,844
Donations	50,920	-	50,920
Gain on sale of capital asset	5,500	-	5,500
Contributions to Bay Mills Indian Community	(143,527)	-	(143,527)
Contributions for permanent funds	14,669	-	14,669
Contributions for quasi-endowment fund	498,168	-	498,168
Transfers	(8,494)	8,494	-
Total general revenues, contributions, and transfers	1,144,080	8,494	1,152,574
Change in net position	2,872,803	(823,192)	2,049,611
Net position (deficit), beginning of year	20,873,053	(1,624,720)	19,248,333
Net position (deficit), end of year	\$ 23,745,856	\$ (2,447,912)	\$ 21,297,944

Concluded

The accompanying notes are an integral part of these financial statements.

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FUND FINANCIAL STATEMENTS

BAY MILLS COMMUNITY COLLEGE

Balance Sheet

Governmental Funds

June 30, 2017

	General Fund	Department of Interior Special Revenue Fund	Department of Education Special Revenue Fund	Title III Quasi-Endowment Special Revenue Fund
Assets				
Pooled cash and cash equivalents	\$ 5,316,925	\$ -	\$ -	\$ -
Investments	1,185,839	-	-	4,558,473
Accounts receivable, net	44,833	-	38,449	-
Due from other funds	86,438	-	-	-
Prepaid expenditures	22,139	-	-	-
Inventory	12,947	-	-	-
Advance to Debt Service Fund	318,600	-	-	-
Advance to Composites Enterprise Fund	3,715,513	-	-	-
Total assets	\$ 10,703,234	\$ -	\$ 38,449	\$ 4,558,473
Liabilities				
Accounts payable	\$ 671,744	\$ -	\$ -	\$ -
Accrued liabilities	277,274	-	-	-
Due to other funds	-	-	38,449	-
Deferred revenue	1,000	-	-	-
Advance from the General Fund	-	-	-	-
Total liabilities	950,018	-	38,449	-
Fund balances				
Nonspendable:				
Prepaid expenditures	22,139	-	-	-
Inventory	12,947	-	-	-
Advance to Debt Service Fund	318,600	-	-	-
Advance to Composites Enterprise Fund	3,715,513	-	-	-
Sii Ha Sin Maintenance Endowment	-	-	-	-
Tribally Controlled Colleges Endowment	-	-	-	-
Debt Service Fund	-	-	-	-
Restricted for:				
Grants and contracts	-	-	-	-
Endowments - expendable	-	-	-	4,558,473
Debt Service - expendable	-	-	-	-
Unassigned	5,684,017	-	-	-
Total fund balances	9,753,216	-	-	4,558,473
Total liabilities and fund balances	\$ 10,703,234	\$ -	\$ 38,449	\$ 4,558,473

The accompanying notes are an integral part of these financial statements.



Capital Projects Fund	Permanent Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 135,787	\$ 16,641	\$ -	\$ 5,469,353
-	2,697,042	311,601	-	8,752,955
60,103	-	-	39,974	183,359
-	2,532	-	-	88,970
-	-	-	-	22,139
-	-	-	-	12,947
-	-	-	-	318,600
-	-	-	-	3,715,513
<u>\$ 60,103</u>	<u>\$ 2,835,361</u>	<u>\$ 328,242</u>	<u>\$ 39,974</u>	<u>\$ 18,563,836</u>
\$ -	\$ -	\$ -	\$ -	\$ 671,744
-	-	-	-	277,274
60,103	-	-	5,074	103,626
-	-	-	34,710	35,710
-	-	318,600	-	318,600
<u>60,103</u>	<u>-</u>	<u>318,600</u>	<u>39,784</u>	<u>1,406,954</u>
-	-	-	-	22,139
-	-	-	-	12,947
-	-	-	-	318,600
-	-	-	-	3,715,513
-	112,595	-	-	112,595
-	1,253,933	-	-	1,253,933
-	-	5,400	-	5,400
-	-	-	190	190
-	1,468,833	-	-	6,027,306
-	-	4,242	-	4,242
-	-	-	-	5,684,017
<u>-</u>	<u>2,835,361</u>	<u>9,642</u>	<u>190</u>	<u>17,156,882</u>
<u>\$ 60,103</u>	<u>\$ 2,835,361</u>	<u>\$ 328,242</u>	<u>\$ 39,974</u>	<u>\$ 18,563,836</u>

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BAY MILLS COMMUNITY COLLEGE

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2017

Fund balances - total governmental funds	\$ 17,156,882
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Internal service funds are used by management to allocate indirect and space costs to individual funds. The assets and liabilities of the internal service funds are included in <i>governmental activities</i> in the statement of net position.	14,656
Other assets consisting of an artifact collection donated to the College are not financial resources and therefore not reported in the fund financial statements.	79,000
Capital assets used in <i>governmental activities</i> are not financial resources and therefore not reported in the fund financial statements.	
Capital assets not being depreciated	1,410,780
Capital assets being depreciated, net	5,243,215
Liabilities that are not due and payable in the current period are not reported in governmental funds.	
Accrued compensated absences	(158,677)
Net position of governmental activities	<u>\$ 23,745,856</u>

The accompanying notes are an integral part of these financial statements.

BAY MILLS COMMUNITY COLLEGE

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2017

	General Fund	Department of Interior Special Revenue Fund	Department of Education Special Revenue Fund	Title III Quasi-Endowment Special Revenue Fund
Revenues				
Grant revenue-federal and state	\$ -	\$ 1,703,177	\$ 2,107,144	\$ 249,084
State aid oversight revenue	5,474,460	-	-	-
Tuition and fees	1,004,835	-	-	-
Other grant revenue and contributions	35,757	-	-	-
Other revenue	178,035	-	-	-
Investment income	59,858	-	-	458,196
Total revenues	6,752,945	1,703,177	2,107,144	707,280
Expenditures				
Current:				
Instruction	59,318	1,032,580	161,310	-
Academic support	131,945	33,219	158,528	-
Student services	105,635	79,320	608,811	-
Public service	1,768,942	125	-	-
Research	126	-	-	-
Institutional support	1,099,014	408,462	458,719	39,060
Scholarships/grant-in-aid	494,094	-	993,915	-
Operation and maintenance of plant	105,779	143,734	23,809	-
Technology	-	-	121,634	-
Capital contributions to Bay Mills Indian Community	74,286	-	7,680	-
Capital outlay	1,006,334	-	-	-
Total expenditures	4,845,473	1,697,440	2,534,406	39,060
Revenues over (under) expenditures	1,907,472	5,737	(427,262)	668,220
Other financing sources (uses)				
Transfers in	-	-	427,262	249,084
Transfers out	(792,420)	(5,737)	-	-
Total other financing sources (uses)	(792,420)	(5,737)	427,262	249,084
Net change in fund balances	1,115,052	-	-	917,304
Fund balances, beginning of year	8,638,164	-	-	3,641,169
Fund balances, end of year	\$ 9,753,216	\$ -	\$ -	\$ 4,558,473

The accompanying notes are an integral part of these financial statements.

Capital Projects Fund	Permanent Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 165,859	\$ -	\$ -	\$ 540,206	\$ 4,765,470
-	-	-	-	5,474,460
-	-	-	-	1,004,835
-	6,063	-	193,498	235,318
-	-	-	-	178,035
-	204,409	4,381	-	726,844
165,859	210,472	4,381	733,704	12,384,962
-	-	-	58,182	1,311,390
46,696	-	-	30,211	400,599
1,471	-	-	80,965	876,202
8,144	-	-	156,676	1,933,887
-	-	-	40,943	41,069
998	750	139	150,643	2,157,785
-	-	-	192,628	1,680,637
3,642	-	-	15,839	292,803
67,051	-	-	-	188,685
37,857	-	-	-	119,823
-	-	-	36,328	1,042,662
165,859	750	139	762,415	10,045,542
-	209,722	4,242	(28,711)	2,339,420
-	8,606	5,400	37,395	727,747
-	(1,203)	-	(8,494)	(807,854)
-	7,403	5,400	28,901	(80,107)
-	217,125	9,642	190	2,259,313
-	2,618,236	-	-	14,897,569
\$ -	\$ 2,835,361	\$ 9,642	\$ 190	\$ 17,156,882

BAY MILLS COMMUNITY COLLEGE

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds	\$ 2,259,313
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. In the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital asset additions	1,048,161
Capital asset disposals - transferred to Bay Mills Indian Community	(23,703)
Capital asset disposal	(13,883)
Depreciation expense	(352,213)
Donated assets are reported as a general donation on the statement of activities, but not included with governmental funds because it does not provide current financial resources.	
	15,163
Internal service funds are used by management to allocate indirect and space costs to individual funds. The change in net position of the internal service funds is reported with <i>governmental activities</i> .	
	(51,474)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Increase in compensated absences	(8,561)
Change in net position of governmental activities	<u>\$ 2,872,803</u>

The accompanying notes are an integral part of these financial statements.

BAY MILLS COMMUNITY COLLEGE

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State aid oversight revenue	\$ 5,464,765	\$ 5,464,765	\$ 5,474,460	\$ 9,695
Tuition and fees	991,365	991,365	1,004,835	13,470
Other grant revenue and contributions	400	400	35,757	35,357
Other revenue	172,850	172,850	178,035	5,185
Investment income	44,776	44,776	59,858	15,082
Total revenues	6,674,156	6,674,156	6,752,945	78,789
Expenditures				
Current:				
Instruction	59,380	59,380	59,318	(62)
Academic support	136,600	136,600	131,945	(4,655)
Student services	114,535	114,535	105,635	(8,900)
Public service	1,491,536	1,786,536	1,768,942	(17,594)
Research	-	-	126	126
Institutional support	1,109,206	1,109,206	1,099,014	(10,192)
Scholarships/grant-in-aid	488,513	488,513	494,094	5,581
Operation and maintenance of plant	120,119	120,119	105,779	(14,340)
Capital contributions to Bay Mills Indian Community	74,286	74,286	74,286	-
Capital outlay	1,206,334	796,006	1,006,334	210,328
Total expenditures	4,800,509	4,685,181	4,845,473	160,292
Revenues over expenditures	1,873,647	1,988,975	1,907,472	(81,503)
Other financing uses				
Transfers out	(786,662)	(786,662)	(792,420)	(5,758)
Net change in fund balance	1,086,985	1,202,313	1,115,052	(87,261)
Fund balance, beginning of year	8,638,164	8,638,164	8,638,164	-
Fund balance, end of year	\$ 9,725,149	\$ 9,840,477	\$ 9,753,216	\$ (87,261)

The accompanying notes are an integral part of these financial statements.

BAY MILLS COMMUNITY COLLEGE

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Department of Interior

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Grant revenue-federal	\$ 1,703,177	\$ 1,703,177	\$ 1,703,177	\$ -
Expenditures				
Instruction	1,022,278	1,022,278	1,032,580	10,302
Academic support	35,631	35,631	33,219	(2,412)
Student services	82,128	82,128	79,320	(2,808)
Public service	125	125	125	-
Institutional support	410,138	410,138	408,462	(1,676)
Operation and maintenance of plant	147,140	147,140	143,734	(3,406)
Total expenditures	1,697,440	1,697,440	1,697,440	-
Revenues over expenditures	5,737	5,737	5,737	-
Other financing uses				
Transfers out	(5,737)	(5,737)	(5,737)	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

BAY MILLS COMMUNITY COLLEGE

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Department of Education
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Grant revenue-federal	\$ 2,716,954	\$ 2,716,954	\$ 2,107,144	\$ (609,810)
Expenditures				
Current:				
Instruction	187,172	187,172	161,310	(25,862)
Academic support	199,202	199,202	158,528	(40,674)
Student services	804,325	804,325	608,811	(195,514)
Institutional support	56,320	56,320	458,719	402,399
Scholarships/grant-in-aid	990,516	990,516	993,915	3,399
Operation and maintenance of plant	25,409	25,409	23,809	(1,600)
Technology	361,404	361,404	121,634	(239,770)
Capital contributions to Bay Mills Indian Community	92,606	92,606	7,680	(84,926)
Total expenditures	2,716,954	2,716,954	2,534,406	(182,548)
Revenues under expenditures	-	-	(427,262)	(427,262)
Other financing sources				
Transfers in	-	-	427,262	427,262
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

BAY MILLS COMMUNITY COLLEGE

Statement of Net Position

Proprietary Funds

June 30, 2017

	Business-type Activities	Governmental Activities
	Composites Enterprise Fund	Internal Service Funds
Assets		
Current assets:		
Due from other funds	\$ -	\$ 14,656
Inventory	52,628	-
Total current assets	<u>52,628</u>	<u>14,656</u>
Noncurrent assets:		
Capital assets being depreciated, net	<u>1,214,973</u>	<u>-</u>
Total assets	<u>1,267,601</u>	<u>14,656</u>
Liabilities, noncurrent		
Advance from the General Fund	<u>3,715,513</u>	<u>-</u>
Net position (deficit)		
Net investment in capital assets	1,214,973	-
Unrestricted (deficit)	<u>(3,662,885)</u>	<u>14,656</u>
Total net position (deficit)	<u>\$ (2,447,912)</u>	<u>\$ 14,656</u>

The accompanying notes are an integral part of these financial statements.

BAY MILLS COMMUNITY COLLEGE

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2017

	Business-type Activities	Governmental Activities
	Composites Enterprise Fund	Internal Service Funds
Operating revenues		
Cost recoveries	\$ -	\$ 1,742,722
Other revenue	39,224	1,000
Total operating revenues	39,224	1,743,722
Operating expenses		
Salaries	222,917	1,011,228
Fringes	50,742	379,738
Purchases - materials	17,355	-
Travel and training	7,573	54,902
Dues and fees	-	8,022
Advertising	1,250	206
Computer costs	-	1,440
Utilities	30,578	94,523
Supplies	790	60,274
Contractual	41,806	123,525
Amortization	94,878	-
Depreciation	126,244	-
Space costs-main campus	-	31,065
Maintenance	1,543	27,637
Telephone	4,627	14,011
Insurance	5,926	19,741
Leases	-	6,000
Accounting and audit	-	29,250
Bad debt expense	19,209	-
Other	2,418	5,247
Total operating expenses	627,856	1,866,809
Operating loss	(588,632)	(123,087)
Nonoperating expense		
Other expense	(243,054)	-
Loss before other financing sources	(831,686)	(123,087)
Other financing sources		
Transfers in	8,494	71,613
Change in net position	(823,192)	(51,474)
Net position (deficit), beginning of year	(1,624,720)	66,130
Net position (deficit), end of year	\$ (2,447,912)	\$ 14,656

The accompanying notes are an integral part of these financial statements.

BAY MILLS COMMUNITY COLLEGE

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2017

	Business-type Activities	Governmental Activities
	Composites Enterprise Fund	Internal Service Funds
Cash flows from operating activities		
Receipts from customers	\$ 20,015	\$ -
Receipts from other funds	-	1,743,722
Payments to suppliers	(163,633)	(475,843)
Payments to employees	(273,659)	(1,390,966)
Net cash used in operating activities	(417,277)	(123,087)
Cash flows from noncapital financing activities		
Transfers in	-	71,613
Change in interfund receivables	-	51,474
Other expense	(243,054)	-
Advance from the general fund	660,331	-
Net cash provided by noncapital financing activities	417,277	123,087
Cash flows from capital and related financing activities		
Purchase of capital assets	(8,494)	-
Transfers in - purchase of capital assets	8,494	-
Net cash from capital and related financing activities	-	-
Net change in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	\$ -	\$ -
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (588,632)	\$ (123,087)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	126,244	-
Amortization	94,878	-
Change in operating assets and liabilities that used cash:		
Inventory	(49,767)	-
Net cash used in operating activities	\$ (417,277)	\$ (123,087)

The accompanying notes are an integral part of these financial statements.

BAY MILLS COMMUNITY COLLEGE

Statement of Net Position

Fiduciary Funds

June 30, 2017

	Private Purpose Trust Fund	Agency Funds
Assets		
Pooled cash and cash equivalents	\$ 4,844	\$ -
Investments	67,135	-
Accounts receivable	751	5,598
	<u>72,730</u>	<u>5,598</u>
Total assets	<u>72,730</u>	<u>\$ 5,598</u>
Liabilities		
Held on behalf of student and other organizations	-	\$ 5,598
	<u>-</u>	<u>5,598</u>
Net position		
Held in trust for private purposes	<u>\$ 72,730</u>	

The accompanying notes are an integral part of these financial statements.

BAY MILLS COMMUNITY COLLEGE

Statement of Changes in Net Position

Fiduciary Funds

For the Year Ended June 30, 2017

	Private Purpose Trust Fund
Additions	
Investment income	\$ 728
Contributions	8,285
	<hr/>
Total additions	9,013
	<hr/>
Deductions	
Fundraising costs	4,334
Scholarships/grant-in-aid	2,950
	<hr/>
Total deductions	7,284
	<hr/>
Change in net position	1,729
Net position, beginning of year	71,001
	<hr/>
Net position, end of year	<u><u>\$ 72,730</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

BAY MILLS COMMUNITY COLLEGE

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial statements of *Bay Mills Community College* (the “College” or “BMCC”), a discretely presented component unit of Bay Mills Indian Community (“BMIC”), have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (“GASB”) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this note.

The College is located on the Bay Mills Indian Reservation in Chippewa County, Michigan. The College was granted a corporate charter by the Bay Mills Indian Community pursuant to Tribal Council Ordinance Number 10, which was ratified on June 25, 1984. The College began operations on July 1, 1985.

The governing body of the College is the Board of Regents consisting of members as follows:

- . Five members of the Bay Mills Indian Community Executive Council elected for two-year terms.
- . The designated representative of the Sault Ste. Marie Tribe of Chippewa Indians.
- . The designated representative of the Grand Traverse Bay Band of Ottawa and Chippewa Indians.
- . The designated representative of the Little Traverse Bay Bands of Odawa Indians.
- . The executive director of the Inter-Tribal Council of Michigan, Inc.
- . The student body president of the College (non-voting).

Government-wide and Fund Financial Statements

Government-wide Financial Statements. The statement of net position and statement of activities display information about the College as a whole. These statements include all funds of the College except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through tuition and fees, grants, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

BAY MILLS COMMUNITY COLLEGE

Notes to Financial Statements

Fund Financial Statements. Fund financial statements of the College are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary category.

A fund is considered major if it is the primary operating fund of the College or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds.

Other funds may be reported as a major fund if the College's officials believe it is particularly important to financial statement users.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The College reports the following governmental fund types:

The *General Fund* is the primary operating fund of the College and is always classified as a major fund. The General Fund is used to account for all the financial resources of the general government, except those accounted for and reported in another fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *Quasi-Endowment Special Revenue Fund* accounts for assets held by the College in accordance with an investment policy. This fund was established by the governing board to function as an endowment in that the principal is to be retained, invested, and expended at the board's discretion pursuant to investment policy and the law governing the use of such funds. Discretion is defined as a vote of the Board of Regents authorizing the use of the Quasi-Endowment fund.

The *Capital Projects Fund* accounts for long-term construction projects.

The *Permanent Fund* accounts for assets held by the College pursuant to a trust agreement. The principal portion of this fund must remain intact, however the earnings may be used to achieve the objectives of the fund.

The College reports the following proprietary funds:

Enterprise Fund. This fund is used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The College's sole enterprise fund is the Composites Enterprise Fund.

BAY MILLS COMMUNITY COLLEGE

Notes to Financial Statements

Internal Service Funds. These funds are used to report activities that provide services to the College's other programs. The College includes Space Costs and Indirect Cost Funds as Internal Service Funds.

The College also reports the following fiduciary funds (not included in government-wide statements):

The *Private Purpose Trust Fund* is accounted for using the accrual method of accounting. Private Purpose Trust Funds account for assets whereby both the principal and interest may be spent.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. The Agency Fund is accounted for using the accrual basis of accounting. This fund is used to account for assets that the College holds in an agency capacity (primarily student activities).

Major and nonmajor funds are classified as follows:

<u>Fund</u>	<u>Brief Description</u>
<i>Major funds</i>	
General Fund	The College's primary operating fund that accounts for all the financial resources of the government, except those accounted for and reported in another fund.
Special Revenue Funds	
Department of Interior	Accounts for federal grant revenues and expenditures under contracts with the Department of Interior as the funding source.
Department of Education	Accounts for federal grant revenues and expenditures under contracts with the Department of Education as the funding source.
Title III Quasi-Endowment Fund	Accounts for activity related to the establishment of the Title III Quasi-Endowment, a program offered by the Department of Education.
Capital Projects	Accounts for funds received from other federal and private sources used to expand College facilities.
Permanent Fund	Accounts for activity related to the College's participation in the Tribally Controlled College Endowment Program offered by the Department of Interior and the Sii Ha Sin Maintenance Endowment Program offered by the American Indian College Fund.
Debt Service Fund	Accounts for debt service and reserve account activity in accordance with the requirements of the Department of Agriculture Rural Development loan for construction of an administration/classroom facility.

BAY MILLS COMMUNITY COLLEGE

Notes to Financial Statements

Major funds - continued

Composites Enterprise Fund Accounts for activity related to the research and production of Direct Re-Inforced Fiber Technology (DRIFT) materials.

Nonmajor funds

Nonmajor Governmental Funds Accounts for funds received from sources not accounted for in other special revenue funds.

Internal Service Funds

Accounts for services provided to the College's other programs, including space and indirect cost allocation.

Fiduciary Funds

Accounts for funds held in a fiduciary or agency capacity for others.

The government-wide statement of net position and the statement of activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus are used as appropriate.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the College considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except expenditure-driven grants which must be collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the College's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

BAY MILLS COMMUNITY COLLEGE

Notes to Financial Statements

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the College's own programs.

Assets, Liabilities and Equity

Deposits and investments

For the purpose of the statement of net position, pooled cash and cash equivalents includes amounts in demand deposits, money market cash balances, as well as short-term investments, with a maturity date within three months of the date acquired by the College. The College operates a centralized cash system for all funds. The interest of each account is allocated to all funds that hold cash.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

For the purpose of the statement of cash flows, the proprietary funds consider the pooled cash and cash equivalents and all investments with a maturity of three months or less from the date of purchase to be cash and cash equivalents.

Receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major accounts receivable balances include grants receivable and student receivables.

Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The College defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable, except for donated assets which are recorded at their estimated fair market value at the date of donation.

BAY MILLS COMMUNITY COLLEGE

Notes to Financial Statements

Depreciation of capital assets is recorded as an unallocated expense in the statement of activities. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	Years
Buildings (includes greenhouses)	5-40
Land and building improvements	10-30
Equipment	5-7
Software	3-5
Vehicles (includes 18-passenger bus)	5-10

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

Other assets

In the government-wide financial statements, other assets consist of \$79,000 for an artifact collection, which are reported at their estimated fair value as of the date they were donated to the College. The artifact collection is not considered current financial resources; and therefore, is not recorded in the fund financial statements.

Compensated absences

The College permits employees to accumulate earned but unused vacation, personal, and short-term leave, subject to certain limitations.

In the government-wide financial statements, vacation and personal leave is reported when earned as a long-term liability. In the fund financial statements, leave benefits are recognized as current salary costs when used in the governmental fund types.

Equity

Equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by debt related to the acquisition, construction, or improvement of capital assets.

Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

BAY MILLS COMMUNITY COLLEGE

Notes to Financial Statements

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the College's highest level of decision-making authority, the Board of Regents. A formal resolution of the Board of Regents is required to establish, modify, or rescind a fund balance commitment. The College reports assigned fund balance for amounts that are constrained by the College's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Regents has delegated the authority to assign fund balance to the College's President or his designee. Unassigned fund balance is the residual classification for the General Fund.

When the College incurs an expenditure for purposes for which various fund balance classifications can be used, it is the College's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Proprietary fund equity is classified the same as in the government-wide financial statements.

Revenues, Expenditures and Expenses

Grant revenue and contributions

The College recognizes grant and contract revenues and other contributions at the time that they become available, measurable, and when award eligibility requirements have been satisfied. Revenue from cost reimbursable type contracts is not recognized until the expenditures have been incurred.

Operating revenues and expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. They also include all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Income taxes

The College, a component unit of Bay Mills Indian Community, considers itself exempt from federal and state income tax.

Space costs

The College's Main Campus facility is located on Tribal lands. Costs of the Main Campus facility are allocated based upon a space cost allocation plan. The College is leasing the West Campus facility from Bay Mills Indian Community. The College is using the facility for cultural activities and a construction technology program. The costs of the West Campus were allocated to the Tribally Controlled Community College program, which is accounted for in the Department of Interior Special Revenue Fund.

BAY MILLS COMMUNITY COLLEGE

Notes to Financial Statements

Indirect costs

Indirect costs represent overhead costs charged to programs by the College's internal service fund in connection with administering and accounting for these programs. The amount charged to each program is determined by a rate which is negotiated between the College and the Department of Health and Human Services, Division of Cost Allocation. The rate does not include carryover provisions.

Expenditures/expenses

In the government-wide financial statements, expenses are classified by function for both governmental activities and business-type activities.

The governmental funds report expenditures of financial resources. They are classified as current (further classified by function) and capital outlay.

The proprietary funds report expenses relating to use of economic resources. These expenses are classified as operating and nonoperating.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Estimates include allowances for doubtful accounts receivable, management's estimate of accrued compensated absences and estimated useful lives of property and equipment.

2. BUDGETARY INFORMATION

Budgets are established each year by resolution of the Bay Mills Community College Board of Regents and are employed as a management control device for expenditures. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of pooled cash and cash equivalents and investments as of June 30,

Statement of Net Position

Pooled cash and cash equivalents	\$ 5,469,353
Investments	8,752,955

Statement of Net Position - Fiduciary Funds

Private Purpose Trust Fund	
Pooled cash and cash equivalents	4,844
Investments	67,135

Total	<u>\$ 14,294,287</u>
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BAY MILLS COMMUNITY COLLEGE

Notes to Financial Statements

Deposits and investments

Bank deposits:

Checking, savings, and money market accounts	\$ 5,474,062
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Certificates of deposit:

Maturing in 1 year	32,685
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Maturing in 2 to 5 years	146,950
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Investments	8,640,455
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Cash on hand	135
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Total	<u>\$ 14,294,287</u>
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The College's investments are recorded in the General Fund, Permanent Fund, Title III Quasi-Endowment Fund, Debt Service Fund, and Private Purpose Trust Fund.

The General Fund investments of \$1,185,839 consist of a short term investment fund, which has a goal of providing a stable income stream to support the operations of the College while maintaining the corpus. However, these funds are invested in fixed income and equity mutual funds and are subject to risk of loss.

The Permanent Fund has been established to track the activity related to the College's participation in the Tribally Controlled College Endowment and the Sii Ha Sin Maintenance Endowment. These investments are restricted for the uses as described in Notes 13 and 14.

The Title III Quasi-Endowment Fund has been established to track the activity related to the College's participation in the Title III Quasi-Endowment and the investments are intended to function as an endowment in that the principal is to be retained and invested. Note 15 provides more information about the Title III Quasi-Endowment Fund.

The College has established a loan reserve investment account, reported in the Debt Service Fund, which complies with U.S. Department of Agriculture Rural Development loan requirements. The investment goals are to maintain at least the minimum required reserve amount and earn a return on investment that may be held for reinvestment or used to support the operations of the College.

The College chooses to aggregate its investments for disclosure purposes. As of year-end, the College had the following types of mutual fund investments, which are stated at fair value, as determined by quoted market prices:

Mutual funds - fixed income	\$ 3,919,253
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Mutual funds - equities	<u>4,721,202</u>
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Total	<u>\$ 8,640,455</u>
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Certificates of deposits of \$112,500 and \$67,135 classified as investments on the statement of net position and the statement of fiduciary net position, respectively, are considered bank deposits for risk purposes.

BAY MILLS COMMUNITY COLLEGE

Notes to Financial Statements

Fair Value. The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs. As of year end, the College's investments in mutual funds were all considered to be level 1.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned. The College does not have a deposit policy for custodial credit risk; however, bank deposits are protected by sweep investment accounts and federal depository insurance. As of June 30, 2017, \$153,982 of the College's bank balance of \$5,769,025 (including \$179,635 in certificate of deposits classified as investments on the statement of net position and fiduciary net position) was exposed to custodial credit risk because it was uninsured and uncollateralized. The \$153,982 consists of money market accounts in the Permanent Fund, Debt Service Fund, and General Fund.

Custodial credit risk - investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of the investments or collateral securities that are in possession of an outside party. The College does not have a policy for investment custodial credit risk. As of June 30, 2017, the College has no custodial credit risk exposure for any of its investments.

Credit risk. The fixed income securities are limited to those considered investment grade at the time of purchase. Investment grade is defined as those securities rated by Standard & Poor's to be BBB or better, or Moody's BAA or better, or an equivalent rating by a nationally recognized rating agency. The fixed income securities are invested in bond mutual funds.

Concentration of Credit Risk. The purchase of fixed income securities from one issuer may not exceed 5% of the assets under management, except for obligations of the U.S. Government and its agencies.

Interest Rate Risk. The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The bond mutual funds have varying lengths of maturity.

Fair Value. The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs. As of year end, the College's investments were all considered to be level 1.

BAY MILLS COMMUNITY COLLEGE

Notes to Financial Statements

4. RECEIVABLES

Accounts receivable balances for the governmental activities at June 30, 2017 consisted of the following:

Accounts receivable - students	\$ 24,175
Accounts receivable - grants	138,526
Accounts receivable - other	40,577
Allowance for doubtful accounts	<u>(19,919)</u>
Accounts receivable, net	<u>\$ 183,359</u>

5. CAPITAL ASSETS

Capital assets activity for the primary government was as follows for the year ended June 30, 2017:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 188,500	\$ -	\$ -	\$ 188,500
Construction-in-progress	270,546	951,734	-	1,222,280
	<u>459,046</u>	<u>951,734</u>	<u>-</u>	<u>1,410,780</u>
Capital assets, being depreciated:				
Buildings	5,849,858	-	(38,140)	5,811,718
Building improvements	1,539,370	-	-	1,539,370
Land improvements	496,139	-	-	496,139
Equipment	237,990	76,780	(10,000)	304,770
Software	206,081	-	-	206,081
Vehicles	264,771	34,810	(25,952)	273,629
	<u>8,594,209</u>	<u>111,590</u>	<u>(74,092)</u>	<u>8,631,707</u>
Less accumulated depreciation for:				
Buildings	(1,496,781)	(149,917)	9,126	(1,637,572)
Building improvements	(1,024,997)	(72,778)	-	(1,097,775)
Land improvements	(169,281)	(25,671)	-	(194,952)
Equipment	(189,217)	(17,711)	1,428	(205,500)
Software	(41,189)	(39,382)	-	(80,571)
Vehicles	(151,320)	(46,754)	25,952	(172,122)
	<u>(3,072,785)</u>	<u>(352,213)</u>	<u>36,506</u>	<u>(3,388,492)</u>
Total capital assets being depreciated, net	<u>5,521,424</u>	<u>(240,623)</u>	<u>(37,586)</u>	<u>5,243,215</u>
Governmental activities capital assets, net	<u>\$ 5,980,470</u>	<u>\$ 711,111</u>	<u>\$ (37,586)</u>	<u>\$6,653,995</u>

BAY MILLS COMMUNITY COLLEGE

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities				
Capital assets, being depreciated:				
Equipment	\$ 2,361,283	\$ 8,494	\$ -	\$ 2,369,777
Vehicles	9,500	-	-	9,500
	<u>2,370,783</u>	<u>8,494</u>	<u>-</u>	<u>2,379,277</u>
Less accumulated depreciation for:				
Equipment	(1,032,914)	(124,344)	-	(1,157,258)
Vehicles	(5,146)	(1,900)	-	(7,046)
	<u>(1,038,060)</u>	<u>(126,244)</u>	<u>-</u>	<u>(1,164,304)</u>
Business-type activities capital assets, net	<u>\$ 1,332,723</u>	<u>\$ (117,750)</u>	<u>\$ -</u>	<u>\$ 1,214,973</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

	2017
Governmental activities - unallocated depreciation	\$ 352,213
Business-type activities - Composites	126,244
Total	<u>\$ 478,457</u>

6. EXCLUSIVE PROVIDER AGREEMENT

On June 18, 2013, the College paid \$379,512, in the form of compensation from the cancelation of a land contract with BMIC, for the right to act as the exclusive manufacturer and distributor of DRIFT material under an exclusive provider agreement. The exclusive provider agreement was amortized over its estimated useful life of four years. The accumulated amortization at June 30, 2017 was \$379,512. The amortization expense of \$94,878 for the fiscal year was charged to business-type activities - composites in the statement of activities.

On September 18, 2014, the exclusive provider agreement was amended to allow for additional investment by the College, which affects the distribution of profits based on the proportionate share of BMIC and BMCC investment. Any additional investment by BMCC increases the amount of the prior investment with a premium of 10% included in its basis. For the fiscal year ended June 30, 2017, the College paid BMIC \$243,054 as an additional investment. This amount is included in expenses of the business-type activities - composites in the statement of activities. In the proprietary fund financial statements, the additional investment is reported as a nonoperating expense.

BAY MILLS COMMUNITY COLLEGE

Notes to Financial Statements

7. LONG-TERM DEBT

Compensated Absences

Long-term debt activity consists of the following at June 30, 2017:

	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental activities					
Accrued compensated absences	\$ 150,116	\$ 176,623	\$ (168,062)	\$ 158,677	\$ -

Line of Credit

The College has a revolving line of credit of up to \$500,000 with interest charged at prime plus 2.0% (effective rate of 6.25% at June 30, 2017). The agreement, which expired July 28, 2017, was renewed for another year. The line of credit was not utilized during the fiscal year and had no outstanding balance as of June 30, 2017.

USDA Rural Development Loan

On May 18, 2017, the College entered into a 35 year, \$7,500,000 promissory note with interest charged at 2.375%, with the U.S. Department of Agriculture Rural Development for construction of a new administration/classroom facility. The loan is secured by all present and future revenues and accounts receivable, arising in connection with the administration/classroom facility. The College's required cash contribution of \$1,222,280 was met as of June 30, 2017. Draw down of loan funds for construction costs began on July 31, 2017. An interest only payment is due on May 1, 2018 with yearly payments of \$324,000 plus interest due on May 1 thereafter.

8. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The following balances represent individual fund interfund receivables and payables at June 30, 2017:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 86,438	\$ -
Department of Education	-	38,449
Capital Projects Fund	-	60,103
Permanent Fund	2,532	-
Nonmajor governmental funds	-	5,074
Internal service fund	14,656	-
	<u>\$ 103,626</u>	<u>\$ 103,626</u>

BAY MILLS COMMUNITY COLLEGE

Notes to Financial Statements

The College reports interfund balances between certain funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The Composites Enterprise Fund has an advance payable to the General Fund with a balance of \$3,715,513 at June 30, 2017. The General Fund advanced these funds to cover start up costs, operational expenses, and the purchase of capital assets. The advance is reported as a noncurrent liability in the Composites Enterprise Fund because the repayment terms have not been established. In the fiscal year, revenue was earned from small sales contracts. The business is expected to grow and become self-sustaining in the next couple years.

The Debt Service Fund has an advance payable to the General Fund with a balance of \$318,600 at June 30, 2017. Under the terms of the USDA Rural Development loan, the College was required to put \$2,700 per month into a reserve account until it accumulates a sum of \$324,000. The College invested the full amount into the reserve account this fiscal year. Each month, the restricted portion will be recorded as a transfer from the General Fund to the Debt Service Fund, which reduces the amount of the advance.

Interfund transfers consisted of the following for the year ended June 30, 2017:

Transfers In	Transfers Out				Totals
	General Fund	Department of Interior	Permanent Fund	Nonmajor Governmental Funds	
Department of Education	\$ 427,262	\$ -	\$ -	\$ -	\$ 427,262
Title III Quasi-Endowment Fund	249,084	-	-	-	249,084
Permanent Fund	2,869	5,737	-	-	8,606
Debt Service Fund	5,400	-	-	-	5,400
Nonmajor governmental funds	37,395	-	-	-	37,395
Composites Enterprise Fund	-	-	-	8,494	8,494
Internal service funds	70,410	-	1,203	-	71,613
	<u>\$ 792,420</u>	<u>\$ 5,737</u>	<u>\$ 1,203</u>	<u>\$ 8,494</u>	<u>\$ 807,854</u>

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds.

BAY MILLS COMMUNITY COLLEGE

Notes to Financial Statements

9. EMPLOYEE RETIREMENT PLAN

The Bay Mills Community College Board of Regents established the Bay Mills Community College Defined Contribution Retirement Plan as of July 1, 1986. This plan follows the provisions set forth under Code Section 403(b), Defined Contribution (money purchase) Retirement Plan. Plan contributions are invested at the direction of the participant, in the Teacher's Insurance and Annuity Association ("T.I.A.A.") and the College Retirement Equity Funds ("C.R.E.F."). The plans are administered on behalf of the College by T.I.A.A. and C.R.E.F.

The employer contribution of 5% of the covered payroll was \$162,371 in 2017 and was fully funded. Employee contributions to the plan in 2017 totaled \$152,305.

10. RELATED PARTY TRANSACTIONS

On February 20, 2017, the lease agreement between the College and Bay Mills Indian Community for the use of Tribal Lands was extended for an additional twenty-five years beyond the initial twenty-five year term that began on November 2, 2015. The cost of the lease is budgeted as part of the College's space cost allocation plan. As of June 30, 2017, the monthly lease was \$500 per month. Total lease payments paid during the year ended June 30, 2017, amounted to \$6,000. Future payments will be \$6,000 per year for the next five years. On May 20, 2004, the College entered into a twenty-five year lease agreement with the Bay Mills Indian Community for use of the former Iroquois Ski Lodge. The College refers to this facility as the "West Campus" in the internal service fund financial statements. The College is responsible for the operational costs, buildings, and improvements. The rental rate is \$1 for the term of the lease. On June 18, 2013, the College entered into a twenty-five year lease agreement with the Bay Mills Indian Community for use of the building located in Dafer, Michigan to carry out educational, research, and manufacturing activities related to the production of DRIFT materials. The rental rate is \$1 for the term of the lease and the College is responsible for the maintenance and operational costs of the building.

11. RISK MANAGEMENT

The College is exposed to various risks of loss related to theft of, damage to and destruction of assets; error and omissions; and natural disasters for which commercial insurance with minimal deductibles is maintained.

12. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the College expects such amounts, if any, to be immaterial.

BAY MILLS COMMUNITY COLLEGE

Notes to Financial Statements

13. TRIBALLY CONTROLLED COLLEGE ENDOWMENT (PERMANENT FUND)

A permanent fund has been established to track the activity related to the College's participation in the Tribally Controlled College Endowment Program offered by the Department of the Interior. Capital contributions made by the Department of the Interior require a 50% match by the College. Interest earnings may be used for the operation and improvement of the College. Capital contributions may be used; however, any use of capital funds by the College requires a repayment of capital to the Department of the Interior in an amount double the amount used. It is the intention of the College to accumulate capital in the fund of \$1,000,000 and use interest earnings from the capital amount for special improvement projects. As of June 30, 2017, the nonspendable amount was \$1,253,933 and the amount restricted as expendable endowment was \$1,467,612.

14. SII HA SIN MAINTENANCE ENDOWMENT FUND (PERMANENT FUND)

In the fiscal year ending June 30, 2005, the College received \$112,595 from the American Indian College Fund to establish the Sii Ha Sin Maintenance Endowment Fund. The corpus of the fund must remain intact, but earnings may be used to support maintenance expenditures at the College. The College has invested in certificates of deposit with varying maturity dates to achieve the highest possible return while addressing the issue of liquidity and providing flexibility to invest at higher rates if interest rates rise. Earnings are transferred from the fund to the General Fund on a yearly basis at the beginning of the College's fiscal year. As of June 30, 2017, the nonspendable amount was \$112,595 and the amount restricted as expendable endowment was \$1,221.

15. TITLE III QUASI-ENDOWMENT FUND

The Department of Education Strengthening Institutions Program, established under the authority of Title III Part A of the Higher Education Act of 1965, as amended, allows institutions of higher education to use up to twenty percent (20%) of the award to establish or increase the institution's endowment fund. The grantee institution must match each dollar of Federal grant funds to establish or increase the endowment fund with one dollar of non-federal funds. During the fiscal year ending June 30, 2017, the College added \$498,168 to the Title III Quasi-Endowment Fund, which consisted of \$249,084 from the Department of Education and \$249,084 from the College's General Fund. The financial objectives are to support the current and future operations of the College and to preserve and enhance the purchasing power of the Title III Quasi-Endowment Fund. As of June 30, 2017, the fund balance restricted for expendable endowment was \$4,558,473.



**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

BAY MILLS COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Capital Projects

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Grant revenue-federal	\$ 180,857	\$ 180,857	\$ 165,859	\$ (14,998)
Expenditures				
Current:				
Academic support	55,695	55,695	46,696	(8,999)
Student services	250	250	1,471	1,221
Public service	-	-	8,144	8,144
Institutional support	-	-	998	998
Technology	71,150	71,150	67,051	(4,099)
Operation and maintenance of plant	-	-	3,642	3,642
Capital contribution to Bay Mills Indian Community	37,857	37,857	37,857	-
Capital outlay	15,905	15,905	-	(15,905)
Total expenditures	180,857	180,857	165,859	(14,998)
Revenues over expenditures	-	-	-	-
Other financing sources				
Transfers in	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

BAY MILLS COMMUNITY COLLEGE

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - Classified by Object
For the Year Ended June 30, 2017

	General Fund	Department of Interior Special Revenue Fund	Department of Education Special Revenue Fund	Title III Quasi- Endowment Special Revenue Fund
Revenues				
Grant revenue-federal and state	\$ -	\$ 1,703,177	\$ 2,107,144	\$ 249,084
State aid oversight revenue	5,474,460	-	-	-
Tuition and fees	1,004,835	-	-	-
Other grant revenue and contributions	35,757	-	-	-
Other revenue	178,035	-	-	-
Investment income	59,858	-	-	458,196
Total revenues	6,752,945	1,703,177	2,107,144	707,280
Expenditures				
Current:				
Salaries	802,996	585,685	605,837	-
Fringes	259,582	213,653	249,754	-
Contractual	771,100	313,129	32,184	-
Travel and training	104,152	16,672	42,653	-
Supplies	66,583	13,574	11,261	-
Telephone	14,357	1,172	4,312	-
Dues and fees	322,984	1,021	829	-
Administration and advertising	60,673	338	863	-
Scholarships and grant-in-aid	494,094	-	993,916	-
Computer costs	11,310	-	124,101	-
Space costs-main campus	24,651	79,008	23,809	-
Space costs-west campus	-	64,726	-	-
Insurance	8,591	-	-	-
Indirect costs	542,977	408,462	437,207	-
Legal fees	197,424	-	-	-
Other	83,379	-	-	39,060
Capital contribution to Bay Mills Indian Community	74,286	-	7,680	-
Capital outlay	1,006,334	-	-	-
Total expenditures	4,845,473	1,697,440	2,534,406	39,060
Revenues over (under) expenditures	1,907,472	5,737	(427,262)	668,220
Other financing sources (uses)				
Transfers in	-	-	427,262	249,084
Transfers out	(792,420)	(5,737)	-	-
Total other financing sources (uses)	(792,420)	(5,737)	427,262	249,084
Net change in fund balances	1,115,052	-	-	917,304
Fund balances, beginning of year	8,638,164	-	-	3,641,169
Fund balances, end of year	\$ 9,753,216	\$ -	\$ -	\$ 4,558,473

Capital Projects Fund	Permanent Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 165,859	\$ -	\$ -	\$ 540,206	\$ 4,765,470
-	-	-	-	5,474,460
-	-	-	-	1,004,835
-	6,063	-	193,498	235,318
-	-	-	-	178,035
-	204,409	4,381	-	726,844
165,859	210,472	4,381	733,704	12,384,962
-	-	-	161,313	2,155,831
-	-	-	61,885	784,874
-	-	-	98,964	1,215,377
-	-	-	31,439	194,916
57,309	-	-	37,591	186,318
-	-	-	1,354	21,195
-	-	-	-	324,834
-	-	-	4,927	66,801
-	-	-	192,628	1,680,638
67,051	-	-	3,881	206,343
-	-	-	15,839	143,307
-	-	-	-	64,726
-	-	-	-	8,591
-	-	-	114,054	1,502,700
-	-	-	-	197,424
3,642	750	139	2,212	129,182
37,857	-	-	-	119,823
-	-	-	36,328	1,042,662
165,859	750	139	762,415	10,045,542
-	209,722	4,242	(28,711)	2,339,420
-	8,606	5,400	37,395	727,747
-	(1,203)	-	(8,494)	(807,854)
-	7,403	5,400	28,901	(80,107)
-	217,125	9,642	190	2,259,313
-	2,618,236	-	-	14,897,569
\$ -	\$ 2,835,361	\$ 9,642	\$ 190	\$ 17,156,882

BAY MILLS COMMUNITY COLLEGE

Combining Statement of Net Position

Internal Service Funds

June 30, 2017

	Governmental Activities - Internal Service Funds			
	Indirect Costs	Space Costs- Main Campus	Space Costs- West Campus	Totals
Assets, all current				
Due from other funds	\$ -	\$ 14,656	\$ -	\$ 14,656
Net position				
Unrestricted	\$ -	\$ 14,656	\$ -	\$ 14,656

BAY MILLS COMMUNITY COLLEGE

Combining Statement of Revenues, Expenses and Changes in Net Position

Internal Service Funds

For the Year Ended June 30, 2017

	Governmental Activities - Internal Service Funds			
	Indirect Costs	Space Costs- Main Campus	Space Costs- West Campus	Totals
Operating revenues				
Cost recoveries	\$ 1,502,700	\$ 175,295	\$ 64,727	\$ 1,742,722
Other revenue	1,000	-	-	1,000
Total operating revenues	1,503,700	175,295	64,727	1,743,722
Operating expenses				
Salaries	991,929	16,082	3,217	1,011,228
Fringes	364,994	12,287	2,457	379,738
Travel and training	53,211	1,409	282	54,902
Dues and fees	8,022	-	-	8,022
Advertising	206	-	-	206
Computer costs	1,440	-	-	1,440
Utilities	-	72,624	21,899	94,523
Supplies	46,081	11,436	2,757	60,274
Contractual	24,634	74,134	24,757	123,525
Space costs-main campus	31,065	-	-	31,065
Maintenance	-	20,005	7,632	27,637
Telephone	13,613	332	66	14,011
Insurance	4,418	12,460	2,863	19,741
Leases	-	6,000	-	6,000
Accounting and audit	29,250	-	-	29,250
Other	5,247	-	-	5,247
Total operating expenses	1,574,110	226,769	65,930	1,866,809
Operating loss	(70,410)	(51,474)	(1,203)	(123,087)
Other financing sources				
Transfers in	70,410	-	1,203	71,613
Change in net position	-	(51,474)	-	(51,474)
Net position, beginning of year	-	66,130	-	66,130
Net position, end of year	\$ -	\$ 14,656	\$ -	\$ 14,656

SINGLE AUDIT ACT COMPLIANCE

**Independent Auditors' Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

December 8, 2017

Board of Regents
Bay Mills Community College
Brimley, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of *Bay Mills Community College*, (the "College"), a component unit of the Bay Mills Indian Community, ("BMIC"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated December 8, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



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BAY MILLS COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Bay Mills Agriculture and Academics Initiative	10.221	Direct	2014-38421-22021	\$ 100,039
Tribal Colleges Endowment Program	10.222	Direct	20XX-38423-06911	111,964
Bay Mills Extension Services	10.500	Direct	2014-47002-22104	101,978
Community Services Loans and Grants Cluster:				
USDA-Rural Housing Service: Tribal College Initiatives Grant Multipurpose Cultural Building	10.766	Direct	N/A	37,857
USDA-Rural Housing Service: Tribal College Initiatives Grant Campus Updates	10.766	Direct	N/A	128,003
				165,860
Non-Cash Item - U.S. General Services Administration Crawler Tractor	10.U01	Direct	N/A	15,163
Total U.S. Department of Agriculture				495,004
U.S. Department of the Interior				
Tribally Controlled Community College	15.027	Direct	A16AB00008	1,697,440
Tribally Controlled Community College Endowment Program	15.028	Direct	A17AP00007	5,737
Total U.S. Department of the Interior				1,703,177
National Science Foundation				
BMCC Pre-TI	47.076	Direct	1719668	14,293
U.S. Department of Energy				
Tribal Colleges and Universities Advanced Manufacturing Network Initiative	81.123	AIHEC	DE-NA0002970	16,041
Tribal Colleges and Universities Advanced Manufacturing Network Initiative - Phase II	81.123	AIHEC	DE-NA0003332	101,290
Total U.S. Department of Energy				117,331

BAY MILLS COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Cluster:				
Federal Supplemental Education Opportunity Grant	84.007	Direct	P007A168150	\$ 18,711
Federal Work Study Program	84.033	Direct	P033AXX8150	17,657
Federal Pell Grant Program	84.063	Direct	P063PXX4637	933,880
				<u>970,248</u>
American Indian Tribally Controlled Colleges and Universities Title III Part A	84.031T	Direct	P031T150002	450,813
American Indian Tribally Controlled Colleges and Universities Title III Part F	84.031D	Direct	P031D150002	593,091
				<u>1,043,904</u>
TRIO Cluster:				
Student Support Services Program (TRIO)	84.042A	Direct	P042A150563	253,080
Vocational - Technical Education	84.048A	SOM	V048A160022	88,996
Total U.S. Department of Education				<u>2,356,228</u>
U.S. Department of Health and Human Services				
Tribal Colleges and Universities Behavior Wellness Study (TCU-BeWell)	93.273	UW	5R01AA022068-04 UWSC7573	2,000
Administration for Native Americans - Develop an Online Bachelor of Art in Early Childhood Education	93.612	Direct	90NA8301-01-00	62,678
Total U.S. Department of Health and Human Services				<u>64,678</u>
Total Expenditures of Federal Awards				<u>\$ 4,750,711</u>

See notes to schedule of expenditures of federal awards.

BAY MILLS COMMUNITY COLLEGE

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Bay Mills Community College (the "College") under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the College's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the College has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

For instances where the granting agency did not provide a CFDA number, the granting agency 2 digit prefix is used followed by U, for unknown, and a 2 digit number (XX.U01, XX.U02 etc.).

3. RECONCILIATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following is a reconciliation of the expenditures reported on the Schedule to the grant revenue - federal and state as reported in the financial statements:

	Amount
Total of grant revenue - federal and state on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 4,765,470
Non-cash item - U.S. Forest Service donation of crawler tractor	15,163
State awards	<u>(29,922)</u>
Total expenditures per the Schedule	<u>\$ 4,750,711</u>

4. PASS-THROUGH AGENCIES

The College receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
AIHEC	American Indian Higher Education Consortium
SOM	State of Michigan
UW	University of Washington



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Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

December 8, 2017

Board of Regents
Bay Mills Community College
Brimley, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of *Bay Mills Community College* (the "College"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Lohorn LLC". The signature is written in a cursive, flowing style.

**Independent Auditors' Report on Compliance for Each Major Federal Program
and Internal Control over Compliance Required by the Uniform Guidance**

December 8, 2017

Board of Regents
Bay Mills Community College
Brimley, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *Bay Mills Community College* (the "College") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2017. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Re-quirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Unmodified Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Lehmann Johnson LLC". The signature is written in dark ink and is positioned centrally below the text of the report.

BAY MILLS COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether
the financial statements audited were prepared
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements
noted?

 yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)?

 yes X no

Identification of major programs and type of auditors'
report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
84.031	American Indian Tribally Controlled Colleges and Universities	Unmodified

Dollar threshold used to distinguish
between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes no

BAY MILLS COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

BAY MILLS COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

BAY MILLS COMMUNITY COLLEGE

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2017

No findings in the prior year.